

FSC-148-B		9/29/97	
SUBJECT: Temporary Payment System (TPS) Discounting Spread Functionality			
DISTRIBUTION:			
<u>X</u>	AVP	<u>X</u>	KAM
<u>X</u>	RSM	<u>X</u>	AM
<u>X</u>	RBM	<u>X</u>	AE
<u>X</u>	ROM		
		<u>X</u>	DM
		<u>X</u>	RM
			Sales Rep
			Retail Rep

- Objective:**
- Provide the ability to spread discounting promotional payments to individual retail accounts (available January 1, 1998).
 - Communicate 1998 plans and design parameters.

Purpose: As you are aware, the promoted volume % is one of the measures used extensively to analyze the effectiveness of our discounting strategy at various levels in the Sales organization (National, Regional, Division, Chain, etc.) Currently, this measure loses its value as an indicator of performance as you drill down into the organization below a National view due to the current **Pay Point Methodology**. Promoted volume measures are significantly distorted under this methodology by not allowing the proper geographical "flow in" and "flow out" of promotions.

Often Regional PV levels appear to be "off strategy" since large chain payments are recorded against one pay point (Region) and cause PV levels to be unusually high in the Region making the payment. To compensate, some ROUs are frequently "spreading" this activity manually via the M72 function. With the new process, M72 entries will be significantly reduced as the activity will be spread as the payments are entered. Additionally, this will simplify the entries and accuracy associated with the Retail Accrual Statements. This will also provide the ability to capture chain promotional discounting activity at the store level and to the geographical unit in which the activity occurs.

To improve the promoted volume % measure, several new options will be available in TPS to **spread** promotional activity across chain accounts when a payment is made.

Spreading Options (Examples and Flow Chart Attached)

The following four spread options will be available January 1, 1998.

1. The payment will be "spread" equally to each retail account in the chain.
2. The payment will be "spread" based on the retail account's RJR SIS Weekly Volume in the chain.
3. The payment will be "spread" based on an individual store list (with Options 1 or 2 above).
4. The payment will be "spread" based on ROU defined Template (with Options 1 or 2 above).

This new design will require additional information to be obtained and entered in the ROU when a chain headquarters payment is made. To facilitate the ROU data entry in TPS, additional information will be needed on the current Voucher Request Forms at the time a payment is made (Refer to Attachment A examples). Should you require assistance in modification of your current forms, please forward a copy to your Area Manager of Finance.

Attachment are spreadsheet examples (Attachment A) and a spread function flowchart (Attachment B).

Program Contacts: Your Area Manager of Operations
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 SSA, Dave Rzotkiewicz, extension #7825
 WSA, Kathryn Noxon, extension #2559
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Spreading Examples

- Option 1: XYZ Convenience/Gas Chain, 210 retail stores, agrees to a "plus out" of 25 cartons/store for DORAL \$3.00 price reduction. Product will be delivered off invoice from ACME Wholesale. Upon receipt and validation of documentation, payment requested for direct account through normal ROU voucher procedures specifying spread Option 1. ROU TPS entry as follows:

<u>Payee SIS Number</u>	<u>Units</u>	<u>SIS Reporting</u>
ACME Wholesale #	5,250 (210 stores x 25 Ctns)	DOR 3.00 PR RED

System identifies ACME Wholesale as a non-retail account and request entry of retail account for posting of activity. XYZ Chain Headquarters SIS # is input. System determines SIS # tied to Chain ID and requests appropriate spread option. Upon entry of Option #1, twenty-five units of promotional activity will be posted to each retail account tied to XYZ Chain ID.

- Option 2: XYZ Convenience/Gas Chain, 210 retail stores, agrees to a Winston \$0.20/\$2.00 buydown for Plan B month anticipating competitive activity. Upon receipt and validation of documentation, payment requested through normal ROU voucher procedures specifying spread Option 2. ROU TPS entry as follows:

<u>Payee SIS Number</u>	<u>Units</u>	<u>SIS Reporting</u>
XYZ Hdqtrs. #	8,910 (Cartons)	WIN 2.00 PR RED
	39,700 (Packs)	WIN 0.20 PR RED

System identifies SIS number as a non-retail account and requests appropriate spread option. Upon entry of Option 2, system will allocate promotional activity to each retail account tied to XYZ Chain ID based on RJR SIS Weekly Volume of each retail account.

- Option 3: Salem \$0.30/\$3.00 buydown for Plan B month is planned in anticipation of competitive activity for "on-grid" divisions. ABC Supermarket Chain has three (3) stores in the Raleigh Division 2124 and six (6) stores in the W/S Division 2126 where Salem is "on-grid" and agrees to execute the promotion in the two authorized divisions. Upon receipt and validation of documentation, payment requested through normal ROU voucher procedures specifying spread Option 3 with listing attached of nine (9) stores executing the promotion and spreading Option 2. ROU TPS entry as follows:

<u>Payee SIS Number</u>	<u>Units</u>	<u>SIS Reporting</u>
ABC Hdqtrs. #	1,560 (Cartons)	SAL 3.00 PR RED
	4,900 (Packs)	SAL 0.30 PR RED

System identifies SIS number as a non-retail account and requests appropriate spread option. Upon entry of Option 3, system will request entry of retail account SIS numbers and the method for spreading (Option 2). System will allocate activity to each of the nine (9) retail accounts based on RJR SIS Weekly Volume of each retail account.

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Spreading Examples (Continued)

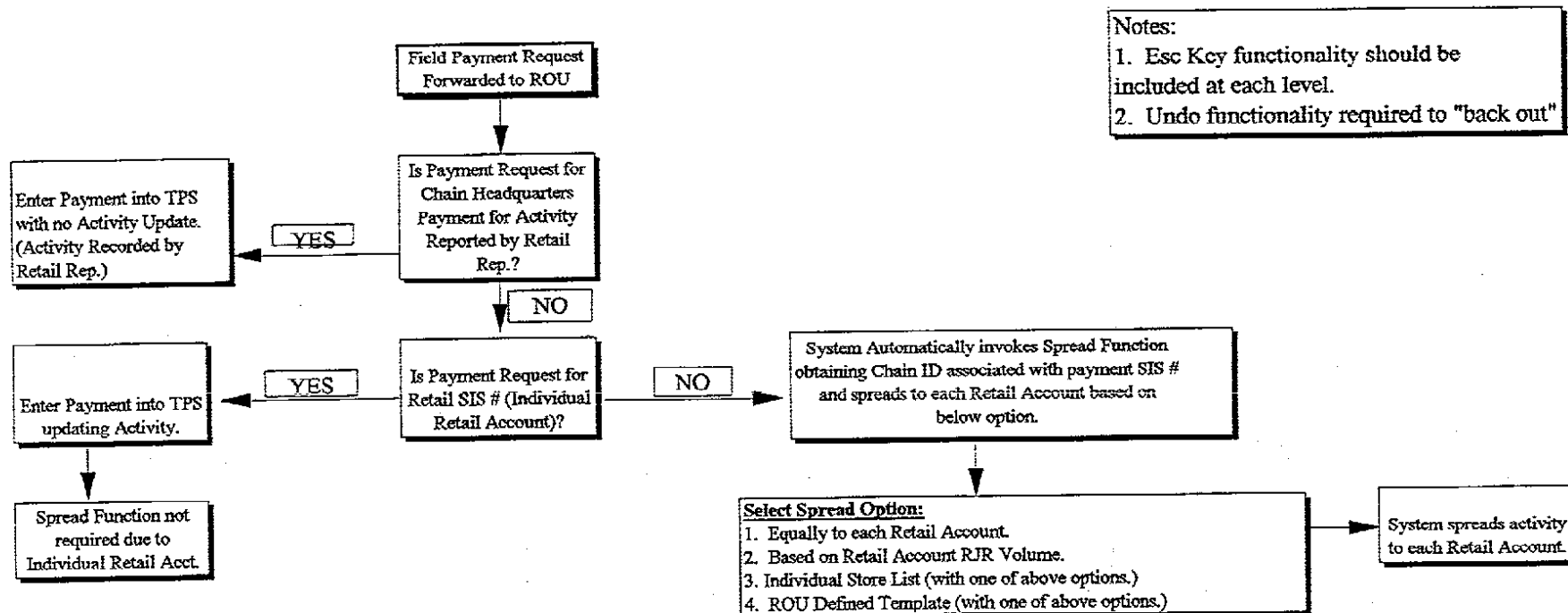
Option 4: Winston \$0.30/\$3.00 buydown is anticipated as a Plan B response. XYZ Convenience/Gas Chain (National Account with 2,000 stores) has agreed to execute the promotion in our sixty-seven (67) "on grid" divisions. Upon receipt and validation of documentation, payment requested through normal ROU voucher procedures specifying spread Option 4 (Template). A template is developed for current and future allocations identifying the individual 1,200 retail stores in the "on grid" divisions. Current SIS functionality will be available to assist template development. ROU TPS entry as follows:

<u>Payee SIS Number</u>	<u>Units</u>	<u>SIS Reporting</u>
XYZ Hdqtrs. #	48,000 (Cartons)	WIN 3.00 PR RED
	144,000 (Packs)	WIN 0.30 PR RED

System identifies SIS number as a non-retail account and requests appropriate spread option. Upon entry of Option 4, system will request entry of template identifier and the method for spreading (Option 2). System will allocate activity to each of the retail accounts identified on the template based on RJR SIS Weekly Volume of each retail account.

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Spread Function Flow Chart



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